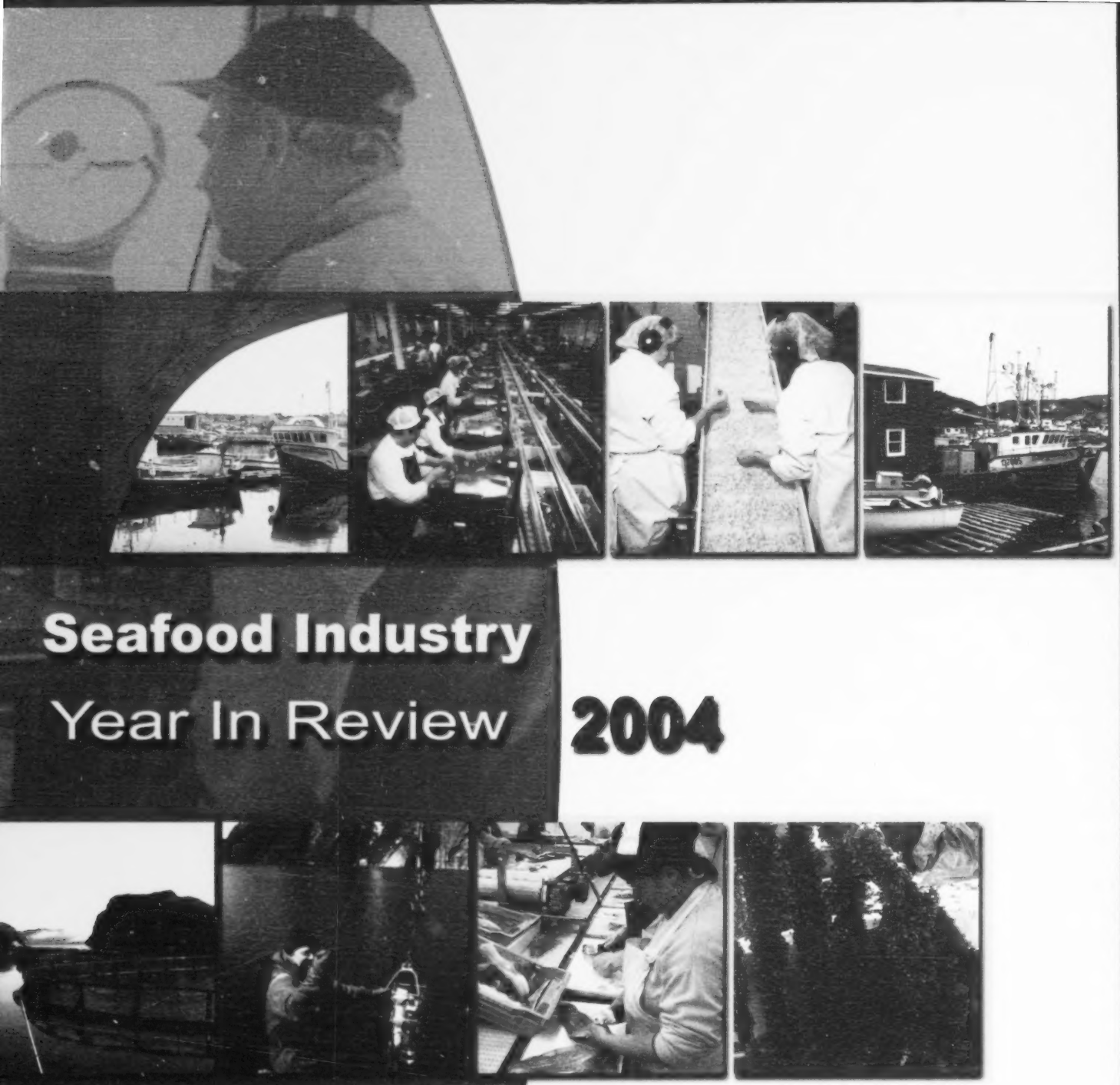

Seafood Industry
Year In Review 2004

GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR

Department of
Fisheries and Aquacluture

Seafood Industry 2004 Year in Review

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Message From The Minister

Welcome to the 2004 Seafood Industry Year in Review

This publication presents a wealth of information on Newfoundland and Labrador's fishing and aquaculture industries and their performance in 2004.

Our fishery continues to top the $1 billion mark in spite of a continued moratorium on key groundfish species. Strong performances in snow crab and shrimp led the way, with landed values that increased over $27 million compared to 2003. Pelagics such as capelin also experienced notable growth and a strong seal fishery is expected to continue in 2005.

We are acting to strengthen the industry in the face of continued resource challenges and changes in the international marketplace. Improved stability, transparency in government decision-making, and a continued emphasis on quality are the hallmarks of a new fish processing policy framework. These actions will result in a more modern and competitive industry.

Action has also been taken to encourage further growth in the aquaculture industry. In November 2004, we established the Aquaculture Working Capital Loan Guarantee Initiative. This will help operators who face up-front costs and risks associated with establishing an aquaculture business.

The *Seafood Industry Year in Review 2004* provides a snapshot of the modern industry in a location known worldwide for its quality seafood. It also points to the many opportunities and challenges that are likely to exist in 2005. Read on.

Trevor Taylor
Minister of Fisheries and Aquaculture

105-05820/

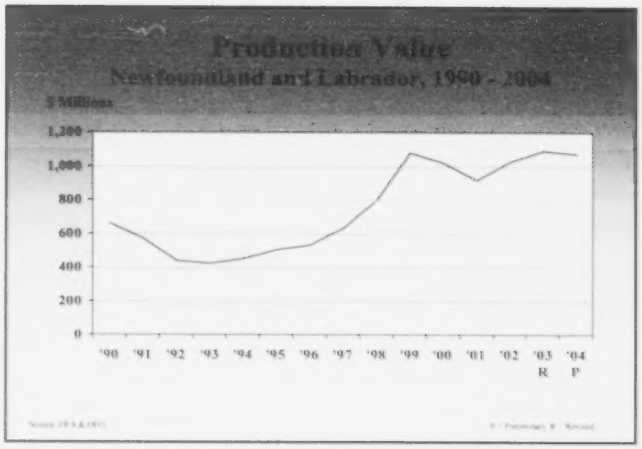
Fishing Sector Performance 2004

The seafood industry registered another strong performance in 2004, recording its fifth $1 billion production value since 1999. Despite the continued appreciation of the Canadian dollar, the production value of $1.1 billion for 2004 was on par with 2003.

Total overall landings increased 6 percent to 326,091 tonnes in 2004 from 307,517 tonnes in 2003. The landed value also increased, by 5.1 percent, to a record $605 million from $576 million in 2003. As was the case in 2003, groundfish again showed a decline in landings from the previous year, decreasing by 13 percent to 51,418 tonnes, due to significant declines in landings for turbot, redfish and monkfish. The sealing industry enjoyed another successful year in 2004 registering a 21 percent increase in landings with over 326,000 seals harvested.

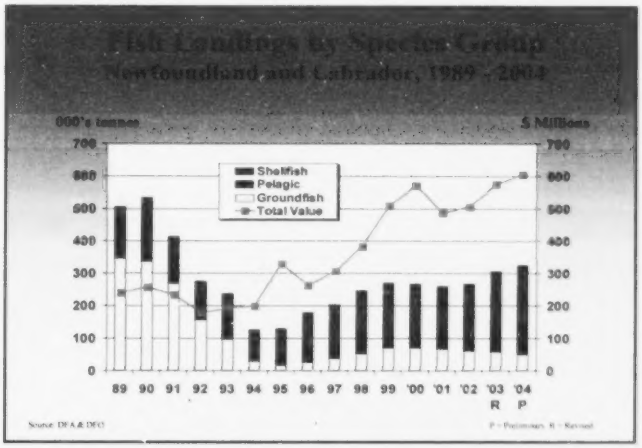
Fishing Industry Performance	*2003(R)*	*2004(P)*	*Percent Change*
LANDINGS (tonnes)			
Groundfish	59,083	51,418	-13%
Pelagics	71,777	89,867	25%
Shellfish	176,657	184,806	5%
TOTAL*	**307,517**	**326,091**	**6%**
Seals (number)	270,246	326,642	21%
LANDED VALUE ($M)			
Groundfish	$66.6	$59.2	-11%
Pelagics	$15.0	$27.1	81%
Shellfish	$481.3	$503.4	5%
Seals	$12.7	$15.4	21%
TOTAL	**$575.6**	**$605.1**	**5%**
PEAK EMPLOYMENT			
Harvesting (individuals)	12,300	14,200	15.4%
Processing (individuals)	11,000	16,100	46.4%
ANNUAL AVERAGE EMPLOYMENT (PY's)			
Harvesting	8,100	8,500	6%
Processing	6,000	7,800	29.6%
AVERAGE INDUSTRY EMPLOYMENT (PY's)	14,100	16,300	16.1%

Source: DFO, Statistics Canada and DFA (as of Feb.16, 2005)
Note: R – Revised; P – Preliminary; PY's – Person Years.
Numbers may not add due to rounding
*(*Does not include seals)*



Pelagic landings increased by 25 percent in 2004 to 89,867 tonnes from 71,777 tonnes in 2003. Mackerel, herring and capelin all recorded higher landings. The overall landed value of pelagics increased significantly, from $15 million in 2003 to $27 million in 2004, an 81 percent increase.

Shellfish landings increased by 5 percent, to 184,806 tonnes in 2004, due primarily to higher shrimp, sea scallops and squid landings. Snow crab landings decreased by almost 5 percent, due in part to lower quotas. Shrimp landings were 15 percent higher, due to the increased effort in the inshore sector and higher quotas in the Gulf fishery.



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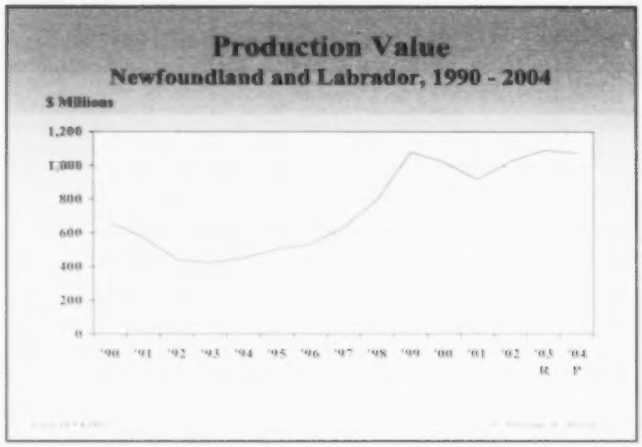

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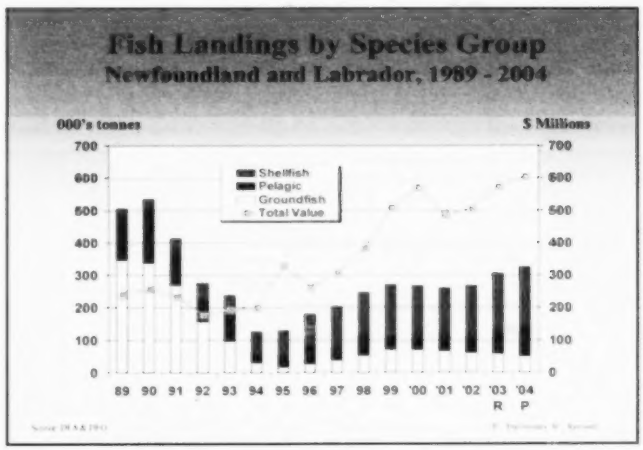
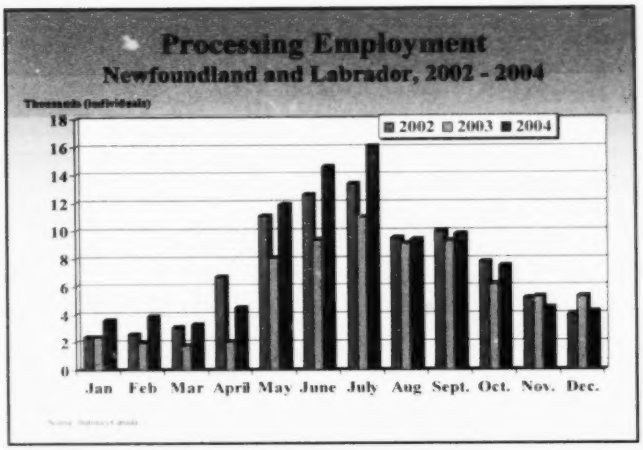


Employment

The Labour Force Survey (LFS) indicates that total annual average employment in the fishing industry increased 16.1 percent to 16,300 person years from 14,100 in 2003. This reflects increased activity in both the processing and harvesting sectors. Peak employment, an indicator of the number of different people employed in the industry, increased 30 percent to 30,300 individuals in 2004 from 23,300 in 2003.

Average processing employment increased 29.6 percent to 7,800 person years from 6,000 in 2003. This increase should be carefully interpreted. The LFS is a survey that is generally indicative of trends in the employment sector, not actual numbers. While employment may be up in the fishing industry in 2004, the magnitude of decline in employment in 2003 was not consistent with industry performance for that year. Peak processing increased by 46.4 percent to 16,100 individuals from 11,000 in 2003. Significantly higher inshore shrimp landings this year have contributed to higher employment in the processing sector.

Average harvesting employment increased 6.0 percent to 8,500 person years in 2004 from 8,100 in 2003, due in part to the increased availability of capelin and higher inshore shrimp landings in the Gulf and Northern shrimp sectors.



Total hours worked in processing facilities increased 4.4 percent to 9.1 million. At the same time, peak employment, as reported by companies, increased 3.3 percent to approximately 14,000 individuals. The data provided by processing companies differs from the LFS mainly as a result of collection methods. The company data is based on a census of operators and tends to be more accurate.

Aquaculture Sector Performance

The Aquaculture sector, like the fishing industry, was challenged by the rising Canadian dollar which negatively impacted exports into the U.S. marketplace. Competition from Chile for mussels and salmonids also negatively affected the profitability of operations.

Aquaculture Industry Profile

Employment	500
Export Value	$22 Million
Commercial Shellfish Sites	62
Commercial Finfish Sites	24
Aquaculture Production (RWE)	5,626 tonnes

Atlantic salmon and steelhead production totalled 3,328 tonnes in 2004, up 28 percent from the 2,603 tonnes produced in 2003. The higher production was a result of increased stocking levels in 2002 and 2003, as local companies expanded.

Mussel production rose to 2,298 tonnes in 2004, up from 1,284 tonnes in 2003. In 2004, the Department continued to support the mussel industry by providing shellfish health, environmental monitoring, technology development, human resource development and marketing programs.

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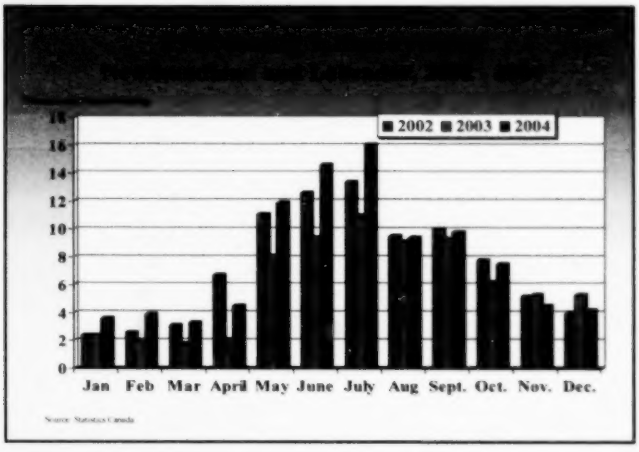

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Exchange Rate Impacts on the Newfoundland and Labrador Seafood Industry

Newfoundland and Labrador is a net exporter of seafood products and, as a result, is subject to the vagaries of international forces such as fluctuating exchange rates. When the Canadian dollar appreciates against other currencies, seafood exports from this Province become more expensive. This has been occurring over the past two years and it is having a negative impact on the Province's seafood sector.

Figure 1

The appreciation of the Canadian dollar against the United States dollar is a phenomenon that began in late 2002 and continued through to 2004. In 2003, the U.S. exchange rate averaged 1.40, a 17 cent drop from an average of 1.57 the previous year. The exchange rate continued to fall in 2004 dropping another 10 cents to average 1.30. Between 2002 and 2004, exchange rates resulted in a net loss of 27 cents on each dollar of sales.

The United States (U.S.) is the Province's largest seafood export market with 33 percent of our volume and 48 percent of our total value.

In terms of value, China represented 19 percent of the Province's seafood markets in 2004. China's currency is fixed to the U.S. dollar. When the Canada-U.S. exchange decreases, China is at a competitive advantage, especially in U.S. markets.

Other major markets include Japan, Denmark and the United Kingdom. The United Kingdom and Japan represent 5 and 6 percent respectively of the value of Newfoundland and Labrador seafood markets. Therefore, the currency in which they trade, or more importantly the exchange rates greatly impact returns from seafood sales. Any rise in the Canadian dollar against these currencies will negatively impact returns on seafood products.

The question that arises is, "*What would be the value of 2004 shipments expressed in 2002 currency levels?*" In 2004, the seafood industry production value totalled $1.07 billion. If 2002 exchange rates were applied to 2004 product prices and assuming that approximately 70 percent of the Province's seafood products were sold in exchange for U.S. currency, the value of our seafood industry would have been at least $1.27 billion in 2004.

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It must be noted that higher market prices for some species have kept production values relatively high, despite the exchange rate pressures. For example, crab prices have increased significantly since 2002 and have been at historically high levels throughout the 2004 fishing season. Without higher prices the industry would have found itself in a very difficult financial situation.

An appreciation of the Canadian dollar against the currencies of its major consumer nations, lowers the return received by processors. Unless market prices increase, processors are faced with declining revenues. Economic forecasts suggest that a continuation of the appreciation of the Canadian dollar is likely to continue in 2005. This will continue to pressure processors to become more productive and find new operational efficiencies. This will likely place downward pressure on local labour and raw material costs.

Species Review

Shellfish

The shellfish sector continued its dominance of the Newfoundland and Labrador fishing industry in 2004, registering a 5 percent increase in landings over last year. Higher shrimp, sea scallops and squid landings contributed to this increase. The landed value of shellfish increased by a similar percentage, 5 percent, to approximately $503.4 million. The shellfish sector represents 83.2 percent of the industry's total landed value, with crab and shrimp continuing as the dominant species.

Shellfish Volume and Landed Value 2003 and 2004

	2003(R)		2004(P)	
Species	Volume (tonnes)	Value (000's)	Volume (tonnes)	Value (000's)
S.S. Clams	18,118	$14,862	15,459	$13,766
Quahaugs	3,045	$1,409	2,106	$842
Icelandic Scallops	1,548	$1,578	757	$667
Sea Scallops	54	$81	3,371	$5,057
Squid	1,084	$782	2,370	$1,724
Lobster	2,256	$25,867	1,972	$21,044
Shrimp	87,040	$165,774	100,167	$155,448
Snow Crab	58,356	$263,583	55,636	$300,979
Other	5,156	$7,371	2,968	$3,880
Total	**176,657**	**$481,307**	**184,806**	**$503,407**

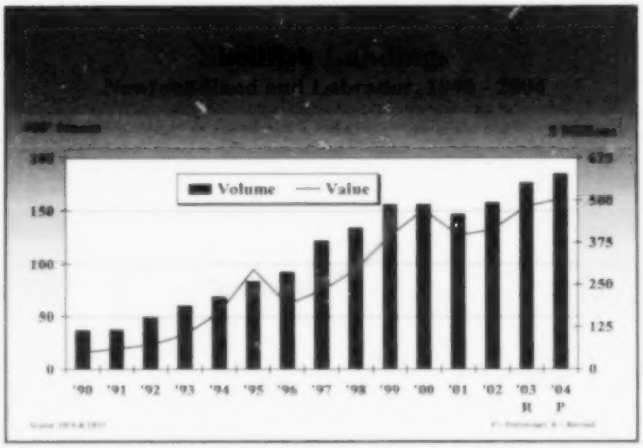
Source: DFO & DFA P-Preliminary; R-Revised

Crab

Crab landings declined by 4.7 percent to 55,636 tonnes, due to lower quotas. The landed value increased, however, by 14.2 percent to $301 million from approximately $264 million in 2003. This increase was due to a combination of higher market prices and a change in the price to market formula that saw a larger share of market returns going to harvesters.

Shrimp

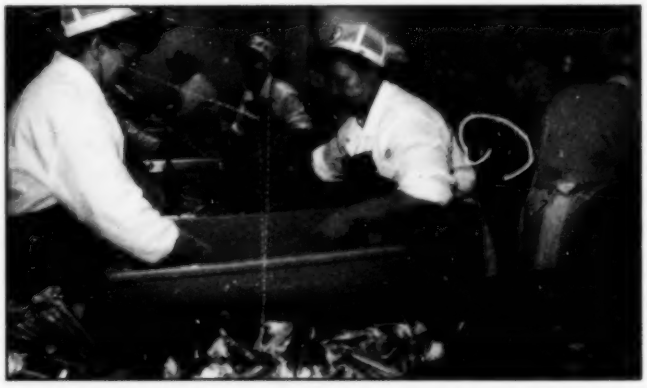
Overall shrimp landings increased 15 percent from 87,040 tonnes in 2003 to 100,167 tonnes in 2004, due to an increased harvesting effort in the inshore sector and higher quotas in the Gulf fishery. Landings for Gulf shrimp increased by 27 percent from 4,452



tonnes in 2003 to 5,645 tonnes in 2004, while inshore shrimp landings rose by 25 percent to 60,476 tonnes from 48,434 tonnes in 2003.

Other Shellfish

Other shellfish species, besides crab and shrimp, contributed to the industry in 2004. Landings for sea scallops went from 54 tonnes in 2003 to 3,371 tonnes in 2004 and squid landings increased 119 percent to 2,370 tonnes from 1,084 tonnes in 2003. Lower landings were experienced for Stimpson surf clams, declining by 15 percent to 15,459 tonnes from 18,118 tonnes in 2003. Icelandic scallops decreased by 51 percent to 757 tonnes.



Groundfish

The groundfish sector registered a 13 percent decline in 2004 with landings falling to 51,418 tonnes. This decline is attributed to lower landings for redfish,

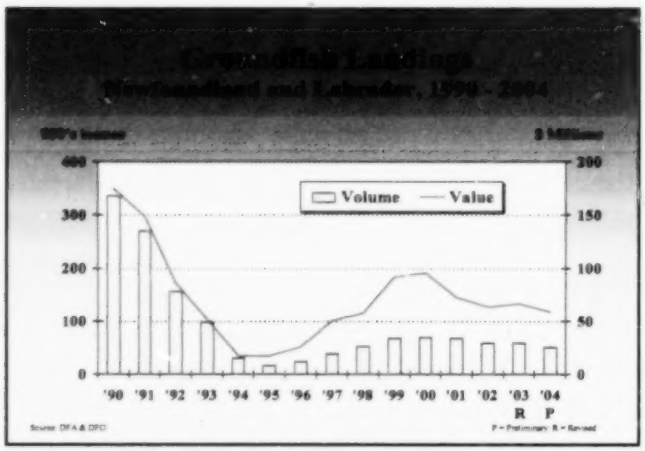
American plaice, turbot and monkfish, without any increases in other groundfish species. Lower landings were accompanied by a lower landed value which declined 11 percent to $59 million from approximately $67 million in 2003.

Groundfish Volume and Landed Value 2003 and 2004

Species	2003(R) Volume (tonnes)	2003(R) Value (000's)	2004(P) Volume (tonnes)	2004(P) Value (000's)
Cod	14,298	$18,570	14,177	$18,915
Redfish	7,385	$4,419	5,999	$3,467
Halibut	542	$3,573	491	$3,252
American plaice	2,675	$2,077	2,073	$1,619
Flounder	14,033	$9,728	13,437	$10,372
Turbot	12,395	$18,633	9,621	$12,766
Hake	1,483	$859	1,518	$905
Monkfish	2,610	$4,251	1,062	$1,751
Skate	2,210	$664	1,356	$408
Other	1,452	$3,860	1,684	$5,700
Total	**59,083**	**$66,634**	**51,418**	**$59,155**

Source: DFO & DFA P-Preliminary; R-Revised

Redfish landings dropped 19 percent and its value declined 22 percent to $3.5 million from $4.4 million in 2003. Halibut landings were down by 9 percent from 542 tonnes to 491 tonnes in 2004. Its landed value also declined by 9 percent from $3.6 million in 2003 to $3.3 million in 2004. Turbot landings dropped by 22 percent from 12,395 tonnes to 9,621 tonnes in 2004. The landed value also declined, by 32 percent, from $18.6 million to $12.8 million in 2004.



PELAGICS

Overall pelagic landings increased by 25 percent from 71,777 tonnes in 2003 to 89,867 tonnes in 2004. Higher landings of mackerel and capelin contributed to this increase.

The landed value for pelagics increased by 81 percent from $15 million to $27.1 million in 2004. Mackerel and capelin were the dominant pelagic species accounting for 45 percent and 39 percent respectively

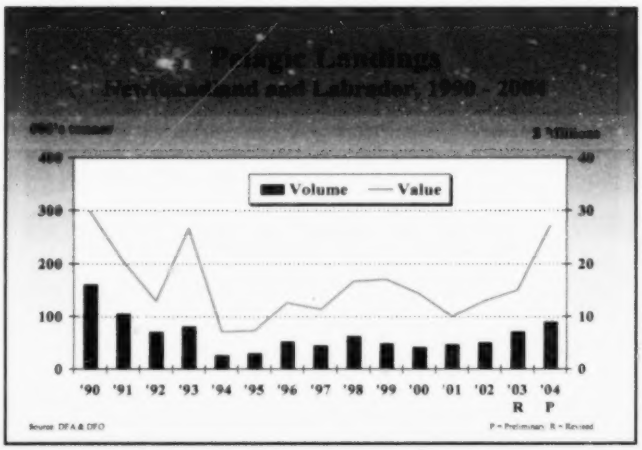
Pelagics Volume and Landed Value 2003 and 2004

Species	2003(R) Volume (tonnes)	2003(R) Value (000's)	2004(P) Volume (tonnes)	2004(P) Value (000's)
Herring	21,514	$4,001	20,385	$3,757
Mackerel	26,675	$6,896	37,042	$12,249
Capelin	23,417	$3,113	32,279	$10,674
Other	171	$983	161	$451
Total	**71,777**	**$14,993**	**89,867**	**$27,131**

Source: DFO & DFA P-Preliminary; R-Revised

of the total value of pelagics. Mackerel landings increased 39 percent from 26,675 tonnes to 37,042 tonnes and capelin landings increased 38 percent from 23,417 tonnes to 32,279 tonnes in 2004.

Increased pelagic landings were a result of a combination of improving markets and increased abundance. Many harvesters are reporting catch rates of mackerel, herring, and capelin indicative of levels found in the 1980s. This is an encouraging development for the inshore sector.



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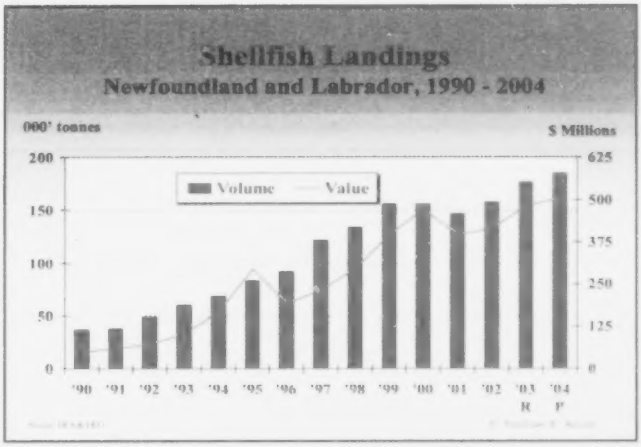

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The groundfish sector registered a 13 percent decline in 2004 with landings falling to 51,418 tonnes. This decline is attributed to lower landings for redfish,

American plaice, turbot and monkfish, without any increases in other groundfish species. Lower landings were accompanied by a lower landed value which declined 11 percent to $59 million from approximately $67 million in 2003.

Groundfish Volume and Landed Value 2003 and 2004

Species	2003(R) Volume (tonnes)	2003(R) Value (000's)	2004(P) Volume (tonnes)	2004(P) Value (000's)
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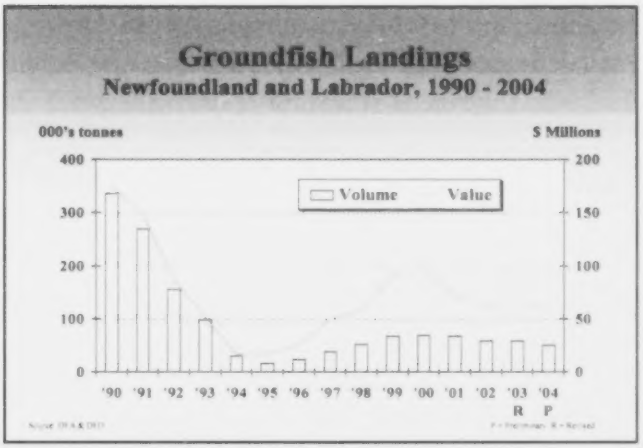
Redfish	7,385	$4,419	5,999	$3,467
Halibut	542	$3,573	491	$3,252
American plaice	2,675	$2,077	2,073	$1,619
Flounder	14,033	$9,728	13,437	$10,372
Turbot	12,395	$18,633	9,621	$12,766
Hake	1,483	$859	1,518	$905
Monkfish	2,610	$4,251	1,062	$1,751
Skate	2,210	$664	1,356	$408
Other	1,452	$3,860	1,684	$5,700
Total	**59,083**	**$66,634**	**51,418**	**$59,155**

Source: DFO & DFA P-Preliminary; R-Revised

Redfish landings dropped 19 percent and its value declined 22 percent to $3.5 million from $4.4 million in 2003. Halibut landings were down by 9 percent from 542 tonnes to 491 tonnes in 2004. Its landed value also declined by 9 percent from $3.6 million in 2003 to $3.3 million in 2004. Turbot landings dropped by 22 percent from 12,395 tonnes to 9,621 tonnes in 2004. The landed value also declined, by 32 percent, from $18.6 million to $12.8 million in 2004.



Pelagics

Overall pelagic landings increased by 25 percent from 71,777 tonnes in 2003 to 89,867 tonnes in 2004. Higher landings of mackerel and capelin contributed to this increase.

The landed value for pelagics increased by 81 percent from $15 million to $27.1 million in 2004. Mackerel and capelin were the dominant pelagic species accounting for 45 percent and 39 percent respectively

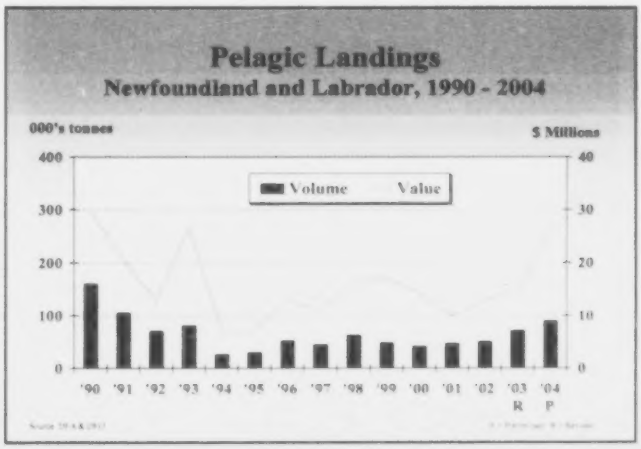
Pelagics Volume and Landed Value 2003 and 2004

Species	2003(R) Volume (tonnes)	2003(R) Value (000's)	2004(P) Volume (tonnes)	2004(P) Value (000's)
Herring	21,514	$4,001	20,385	$3,757
Mackerel	26,675	$6,896	37,042	$12,249
Capelin	23,417	$3,113	32,279	$10,674
Other	171	$983	161	$451
Total	**71,777**	**$14,993**	**89,867**	**$27,131**

Source: DFO & DFA P-Preliminary; R-Revised

of the total value of pelagics. Mackerel landings increased 39 percent from 26,675 tonnes to 37,042 tonnes and capelin landings increased 38 percent from 23,417 tonnes to 32,279 tonnes in 2004.

Increased pelagic landings were a result of a combination of improving markets and increased abundance. Many harvesters are reporting catch rates of mackerel, herring, and capelin indicative of levels found in the 1980s. This is an encouraging development for the inshore sector.



Seals

The sealing industry recorded another strong year in 2004 with a market value surpassing $45 million. The three-year Total Allowable Catch (TAC) of 975,000 seals (2003-2005) is being successfully harvested with 326,642 seals taken last year, up 20.9 percent from the previous year. Prices for seal pelts remained on par with 2003 averaging between $45 and $50 a pelt. Landed value increased 21 percent to $15.4 million.

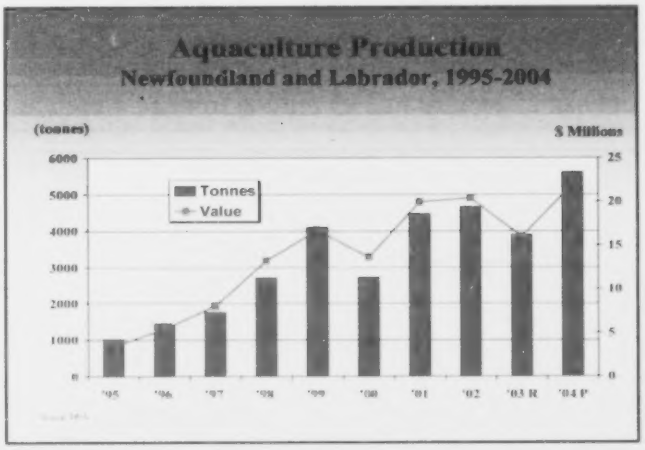
As expected, tannery expansion was completed in 2004, further increasing the Province's overall tanning capacity.

The cyclical nature of fur markets makes yearly predictions difficult, however, forecasts for 2005 are optimistic. Pelt prices for 2005 have not been finalized as past inventories of fur continually move through auction houses to world markets. Markets are expected to remain strong and prices stable, as the sealing industry continues to maintain a strong presence in world markets.

The market value of the sealing industry is projected to reach $100 million over the next three to five years, based on sustained high average pelt prices and projected higher prices for Omega-3 seal oil and meat products. Other key factors in this projection are increasingly valuable meat exports to Korea and Europe. Employment is expected to peak at 5,000 fish harvesters and 500 plant workers, many employed on a seasonal basis.

Aquaculture

The production volume for all species in 2004 was 5,626 tonnes, up from the approximately 3,900 tonnes in 2003. The export value of the industry reached $22 million in 2004, up from $16 million in 2003. Despite higher production volumes in 2004 over 2003, the aquaculture industry was also negatively impacted by the rising Canadian dollar, which affected export revenues from the United States marketplace. However, more product entering the market did increase overall production and the export value for the industry.



The development of the aquaculture sector in the Province is guided by the Aquaculture Strategic Plan which was adopted by all industry stakeholders in 2000. Four species remain the focus of the industry; Atlantic salmon, steelhead, blue mussels and Atlantic cod.

A primary focus for 2004 was the Investment Prospecting Program. The Department continued to promote the abundance of sites, the commitment to sustainability and a proactive development plan to investors within and outside the Province.

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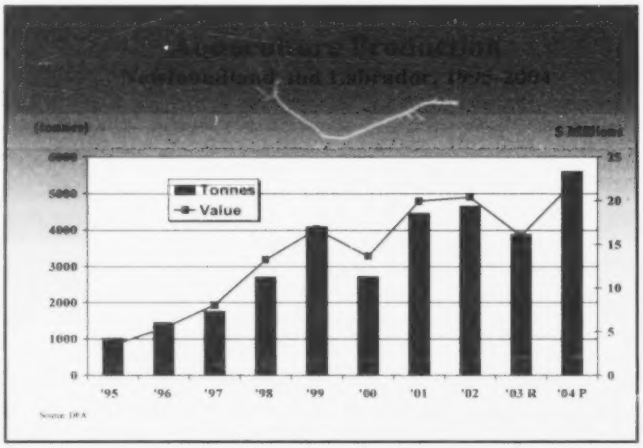

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Shellfish

Blue mussel production reached 2,298 tonnes in 2004 and this past year saw Newfoundland and Labrador companies focus heavily on marketing. Advancements were made in establishing markets for value-added and fresh products in North America and Europe. The Department continued to provide assistance in shellfish health, environmental and invasive species monitoring.

Salmonids

The overall production value of the salmonid sector in 2004 was $17 million, up 30 percent from $13 million in 2003. Correspondingly, production increased 27.8 percent to 3,328 tonnes in 2004. Higher production levels were a reflection of both improving markets and higher stocking levels in 2002 and 2003 as the industry expanded.

Salmonid production is centered in the Bay d'Espoir area with expansion occurring in Fortune Bay in 2004.

The salmonid industry had new investment in 2004 from both New Brunswick and Norwegian interests. While industry development is progressing, there are still infrastructure requirements. Appropriate wharfage, better road development and access to bulk feed remain key issues for the industry.

Also in 2004, the Provincial Government announced an Aquaculture Working Capital Loan Guarantee Initiative to improve access to working capital financing for qualified salmonid aquaculture companies. In addition, a Freshwater Resource Assessment for salmonid aquaculture was announced in 2004 to explore salmonid hatchery development opportunities in the Province.

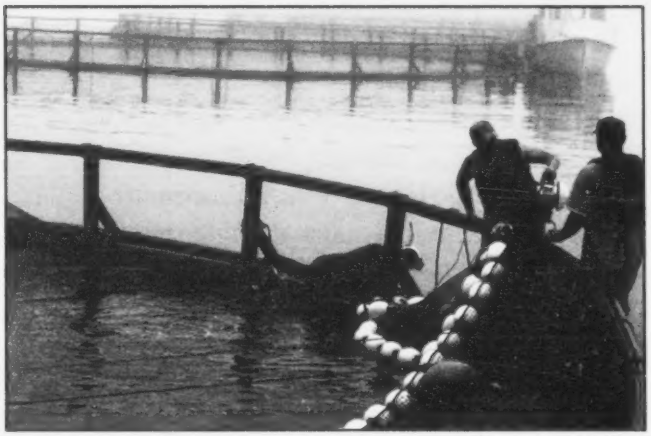


Photo by Travis Mahoney

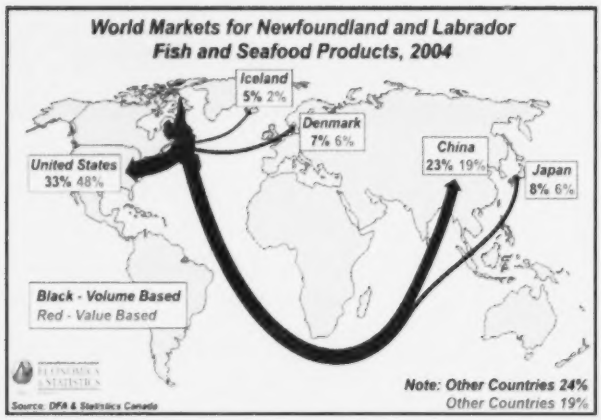
Cod

Cod (egg-to-plate) aquaculture development continued in 2004. The Ocean Science Center (OSC) produced 50,000 cod fingerlings which were stocked on the south coast of the Province. Another shipment of 5,000 cod fingerlings from the 2004 year class is scheduled for early 2005. In total, 200,000 cod fingerlings from the OSC (2005 year class) are projected to be transferred to marine cages. The commercial cod hatchery, still under development, will have the potential to produce 10 million juvenile cod which will be transferred to sea cages for growout to market size. Eight cage sites are currently licensed for subsequent marine growth of hatchery-raised cod, and many others are under licensing review. The major impediment to the development of this significant opportunity is access to investment capital. The Department of Fisheries and Aquaculture continued to support the sector with site selection, environmental monitoring and fish health services.

Cod growout was limited in 2004 to the south coast of the Province in NAFO area 3Ps due to the dependence on federal quotas for starting stock for growout. The other traditional areas, northeast and west coasts are still under a moratorium. Production in 2004 was down considerably with just one site in Placentia Bay procuring wild cod for the growout season.

Market Overview

A strong Canadian dollar put Newfoundland and Labrador exporters at a competitive disadvantage in 2004, contributing to a decline on the return on seafood sales to the United States. Despite the strength of the Canadian dollar, the U.S. remained our largest export market for seafood products.



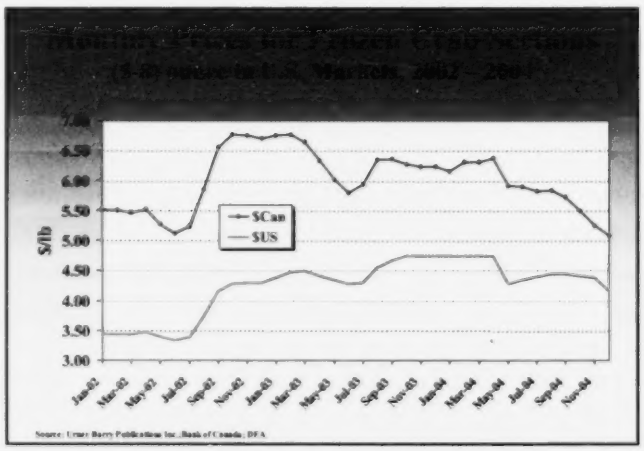
Market conditions were generally positive in the crab industry in 2004 with a favourable supply/demand situation and firm prices. In the shrimp industry, however, prices did not increase to the same degree to counteract unfavourable exchange rates. In the groundfish sector, there was intense competition from China in securing foreign raw material and primary processed product for further processing. The presence of low-priced Chinese groundfish products in the marketplace continues to be a major problem for local groundfish producers. This, when combined with lower exchange rates, had a negative impact on processor margins.

High import tariffs in Europe continue to be a stumbling block, particularly in the shrimp business, where our European competitors are not subject to the same high rates. For a number of years, the European Union (EU) using the Autonomous Tariff Rate Quota (ATRQ) has permitted a small volume (5,000 tonnes) of shrimp to be imported at a reduced tariff (6 percent, instead of the 20 percent that is applied to the remainder of Canadian shrimp exports). The volume permitted at the lower rate was increased to 7,000 tonnes in 2003 and this ceiling is expected to remain in place until 2006. These high import tariffs are a major impediment to further expanding the shrimp industry in the Province.

Crab

Demand for snow crab remained relatively strong in the United States and Japan in 2004. Japanese demand was stronger than it has been in years, however, demand in the United States was tempered by higher prices. Early interest from Japanese buyers was a key factor in establishing strong prices that remained firm for much of the year. Another small harvest in Alaska, formerly Newfoundland and Labrador's biggest competitor, continued to limit supplies, thereby, keeping prices near historically high levels.

The stronger Canadian dollar was a negative factor for exporters, and partially offset the favourable supply and demand situation. While U.S. prices were somewhat stable, processors were hard hit by the appreciation of the Canadian dollar. Furthermore, resistance by buyers late in the season slowed sales resulting in some processors ending the season with higher than normal inventories.



Demographic Profile of Newfoundland and Labrador Processing Workers

The processing industry has been a vital contributor to the Province's economy and continues to employ thousands, particularly in rural communities. In 2004, 117 licensed primary processing plants employed over 14,000 individuals from approximately 500 different communities.

It is difficult to attract young workers to the processing industry, due to short-term employment and associated lower incomes.

The number of licensed primary processing facilities has declined by more than half since the early 1990s, a reflection of the shift from groundfish to shellfish production. Shellfish processing is less labour intensive than groundfish processing and tends to be more seasonal. This, along with increased technology in the plants, has negatively impacted plant employment. The number of plant workers has declined by over 50 percent from 30,000 just prior to the groundfish moratoria.

The provincial population is aging, with death rates higher than birth rates and the number of people leaving greater than those arriving. The processing sector is also facing the same trends as the general population. Labour shortages are expected over the next decade. It is difficult to attract young workers to the processing industry, due to short-term employment and associated lower incomes.

Figure 1 shows the number of individuals by age category working in the processing industry in 2004. Approximately 70 percent of processing workers were over 35 years of age compared to 47 percent in 1990 clearly indicating an aging workforce with fewer younger workers in the industry. This trend is expected to continue into the next five to ten years and may contribute to a labour market shortage in the processing sector as older workers retire.

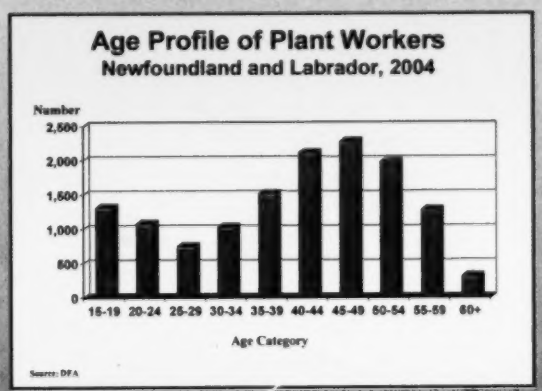


Figure 1

Figure 2 shows the proportion of plant workers, by age, compared to the general working population in the Province. The proportion between 15 and 19 years of age is higher than those employed in all industries throughout the Province and is a reflection of increased pelagic production and the requirement for casual labour. As illustrated, there is a higher concentration of plant workers between 40 and 54 years of age. This is a direct result of early retirement programs that operated in the mid 1990s, an older work force in unionized plants, the lack of early retirement programs in the industry, and a stable workforce due to few other economic alternatives.

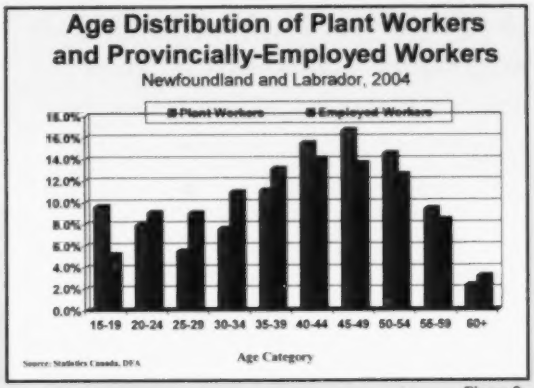


Figure 2

Similarly, the proportion of individuals between 20 and 39 years of age working in the plants is lower than the proportion for the Province. This is a result of few new entrants to the sector over the past ten years.

As noted, the data suggests that plants may begin to face labour shortages over the next five to ten years as older workers retire. The continued recruitment of workers into the Province's fish plants is critical to the long term health of the sector. This will be dependent on the total annual incomes that can be derived from plant employment and this in turn will be dependent on the duration of employment.

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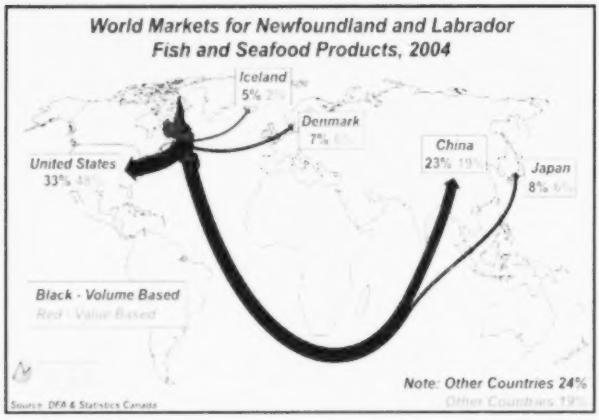

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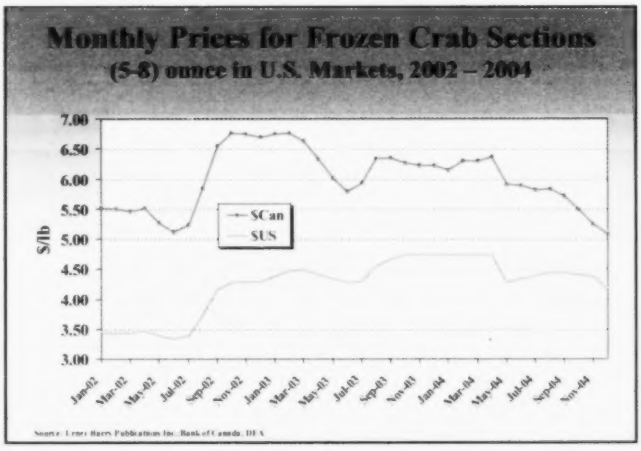

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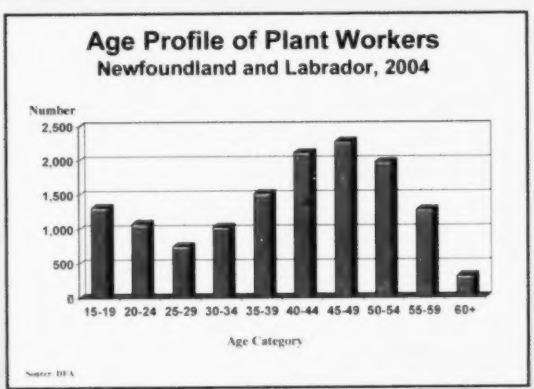

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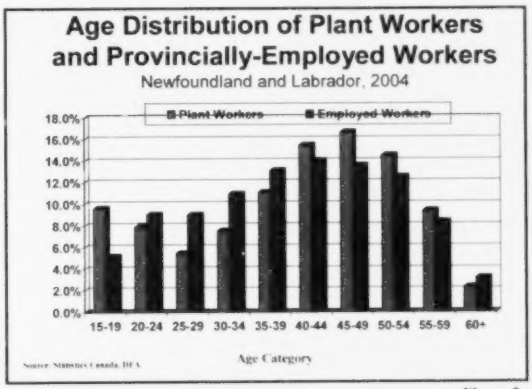

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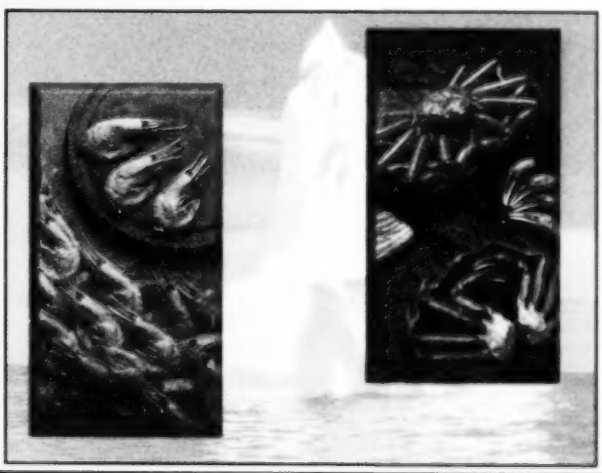
Shrimp

The strengthening Canadian dollar and high European import tariffs remained the two biggest challenges to the Province's shrimp industry in 2004. Overall demand for cooked and peeled coldwater shrimp was up very slightly. Lower landings in Iceland, Norway and the U.S. were surpassed by higher quota/landings in the Gulf of St. Lawrence and landing of the full quota in Newfoundland and Labrador.

Market prices in the U.S. improved slightly in 2004 but not enough to compensate for the very strong Canadian dollar versus the U.S. dollar. Prices of seafood products in European markets remained relatively flat for most of the year. However, the 7,000 tonne 6 percent ATRQ was fully utilized in July impacting margins on all products sold in the second half of the year. This also impacted overall sales to Europe in the last half of 2004, as many held inventory to clear against the 2005 ATRQ.

The inshore sector continued its restructuring efforts in 2004. A cooperative solution to many of the difficulties facing the industry provided positive results. The number of landing ports was reduced, a new pricing system was implemented, and work continued to enhance overall product quality. Significant progress was achieved in 2004 and continued harvester and processor cooperation should generate improved returns to participants.



Processing Update

The Province's seafood industry, through its 117 licensed primary processing facilities, supplied over 184,000 tonnes of products to the marketplace in 2004, an increase of 18 percent from 2003. Production was comprised of 21 percent groundfish, 39 percent pelagics and 40 percent shellfish. The most significant increase occurred in the production of shellfish, due mainly to the increase in shrimp landings which rose by over 15 percent to a record high of 100,167 tonnes. Pelagics production increased from over 53,000 tonnes in 2003 to more than 72,000 tonnes in 2004.

The fish processing sector produced approximately 25,000 tonnes of groundfish in 2004, down by 14.5 percent from 29,500 tonnes in 2003. Primary cod production declined to 11,000 tonnes from over 14,000 in 2003. According to Statistics Canada, Atlantic cod imports have declined from January to November by 78 percent from 12,310 tonnes in 2003 to 2,736 tonnes in 2004, a direct result of the rising Canadian dollar and increasing raw material prices. Production shifted towards higher end products and the fresh whole market. Frozen cod fillet production declined by more than 44 percent.

Consistent with higher landings, pelagic production increased by 27 percent, the largest increase of all species groups. Capelin and mackerel production increased significantly, due to greater availability of raw material. The market for capelin was good in 2004, with harvesting prices significantly higher than the previous year. Production increased by 38 percent from 15,000 tonnes in 2003 to 21,000 tonnes. Female capelin production was 34 percent higher than in 2003. Mackerel production also increased by 30 percent, due to higher landings and increased market opportunities.

Shellfish species represented 42 percent of total production in 2004, totalling over 75,000 tonnes, up 22 percent from 2003. Shellfish products continued to

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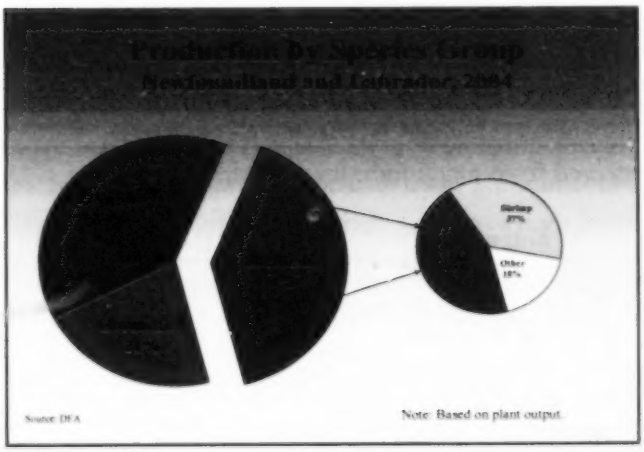
Production of crab declined slightly from 2003 figures, at a little over 36,000 tonnes. Crab sections destined for the Japanese market increased by 24 percent to 11,000 tonnes (representing 30 percent of all snow crab production). The production of U.S. sections dropped by 18 percent in 2004.

Seafood producers are looking to move their products into other markets where they can make a profit on the exchange rate. Also, some products may be shipped to other countries where they may be further processed, prior to going into the U.S., where additional profits may be realized.

Shrimp production increased by 58 percent. Shrimp landings were significantly higher in 2004, reaching record levels totalling more than 100,000 tonnes.

Whelk production increased due to higher landings, as a result of greater effort on the St. Pierre Bank. Squid production also increased in 2004 to 2,370 tonnes from 901 tonnes in 2003, due to higher landings. Squid imports to the Province fell from 7,130 tonnes in 2003 to 1,522 tonnes in 2004.



Quality Assurance

The Department continued to enhance its Quality Assurance Program in 2004. This included an expansion of the Department's Inspection Program as an integral component of the implementation strategy for the Dunne Report recommendations. The Report's recommendation was to strengthen the Quality Assurance Program by increasing the number of inspectors to achieve the program's goals and objectives.

The Program, created in 1996, will now be comprised of 40 seasonal and full-time staff. This group completed approximately 7,000 inspections in 2004 which included monitoring dockside landings, the transportation of the raw material and pre-production areas in processing establishments.

Photo by Donna Loder

The work completed through this program was instrumental in raising quality consciousness throughout all sectors of the fishing industry and contributed to increased earnings for fish harvesters and processors alike. The Department's commitment to delivering this program and industry's support of it has served to maintain Newfoundland and Labrador as a leading exporter of quality seafood products in the international marketplace.

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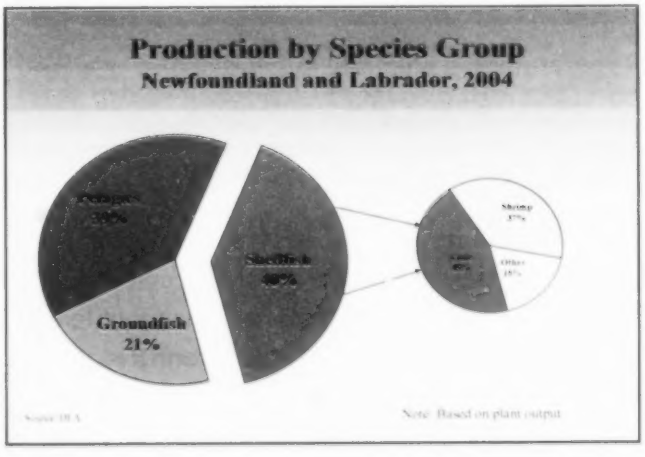


Quality Assurance

The Department continued to enhance its Quality Assurance Program in 2004. This included an expansion of the Department's Inspection Program as an integral component of the implementation strategy for the Dunne Report recommendations. The Report's recon.mendation was to strengthen the Quality Assurance Program by increasing the number of inspectors to achieve the program's goals and objectives.

The Program, created in 1996, will now be comprised of 40 seasonal and full-time staff. This group completed approximately 7,000 inspections in 2004 which included monitoring dockside landings, the transportation of the raw material and pre-production areas in processing establishments.

Photo by Donna Loder

The work completed through this program was instrumental in raising quality consciousness throughout all sectors of the fishing industry and contributed to increased earnings for fish harvesters and processors alike. The Department's commitment to delivering this program and industry's support of it has served to maintain Newfoundland and Labrador as a leading exporter of quality seafood products in the international marketplace.

Fisheries Development

The Department of Fisheries and Aquaculture has been at the forefront of fisheries development in the Province since the early 1970s working with a range of industry partners as well as the Marine Institute (MI), the Canadian Centre for Fisheries Development (CCFI) and recently, the Centre for Sustainable Aquatic Resources (CSAR). The delivery and co-ordination of many of these development projects is undertaken by DFA's regional offices throughout the Province.

Resource Surveys

The Department's previous involvement with various resource surveys has contributed to the development of commercial fisheries for such species as eels, lumpfish, sea urchins, scallop, skate and shrimp. Current resource surveys and development work are focused on species such as toad crab, sea cucumber, periwinkle, jellyfish and hagfish. The Department, in consultation with industry, continues to evaluate species that may have commercial potential.

Fishing Gear Development

In response to industry concerns about the capture of small shrimp, the Department undertook a project with the Canadian Centre for Fisheries Innovation (CCFI) in 2004, utilizing a multi-level shrimp trawl to reduce the percentage of small shrimp caught.

Work on a snow crab size selectivity project continued with further fishing trials in 2004. Project results showed that modifying the pots can reduce the catch of soft-shelled crab and crab with less than a 4 inch carapace width, thereby improving the product and value of crab for processing.

Vessel Design

The role of the Department's Vessel Design Program is to evaluate new technology associated with vessel design and the development needs of the inshore fishing fleet related to safety, operational efficiency and product quality. Our Department also provides technical support to the Department of Innovation, Trade and Rural Development regarding the Fisheries Loan Guarantee Program.

Quality

A number of quality-related projects were undertaken by the Department in 2004. An offloading system designed specifically for vessels less than forty feet was developed this past year which included a collapsible bag for holding crab onboard the vessel and a customized system to facilitate the offloading process.

Preliminary trial runs for this offloading system were very encouraging and favourable reviews were received from many industry participants.

Another noteworthy project involved the development of a quality assessment guide for sea cucumber to be used by inspection staff to assess the quality of live sea cucumbers. The Marine Institute partnered with the Department of Fisheries and Aquaculture on both projects.

Resource Status

Northern Shrimp

The Northern shrimp resource is found in a large area extending from the Grand Banks to the Davis Strait. The more northerly regions are fished exclusively by the offshore licence holders, while the southern regions are accessed by the inshore and offshore sectors. Biomass estimates in the southern regions remain at historical high levels. Significant increases in the Total Allowable Catch (TAC) were introduced in 2003, mainly in these southern areas. Record landings were observed in 2004 with the inshore sector landing approximately 60,000 tonnes.

Medium to long-term recruitment is somewhat uncertain, however, a decline is not expected in the short term. Based on limited information, the resource appears to be stable in the north.

Gulf Shrimp

The Newfoundland and Labrador fleet fish in the Esquiman Channel portion of the Gulf of St. Lawrence. The Newfoundland and Labrador portion of the TAC was 5,300 tonnes in 2001 and 2002. The TAC was increased to 5,600 tonnes in 2004 following a cut in 2003. The latest scientific information indicates that the stock is healthy.

Snow Crab

The snow crab resource is declining in some areas of the Province. Quota cuts in NAFO areas 3Ps and 2J have occurred over the past few years. Adjustments in the TAC may have to occur in other areas in coming years. The resource overall is still at a high level from an historic perspective, as landings in 2004 exceeded 55,000 tonnes.

Cod

The offshore portion of the 2J3KL stock has remained under moratorium since 1992. A limited inshore fishery was conducted from 1998-2002. A fishing moratorium was placed on the entire stock area in April 2003 and continued in 2004.

The TAC for the 3Ps cod stock was reduced in 2001 from 20,000 tonnes to 15,000 tonnes, due to concerns about recruitment. The TAC remained at 15,000 tonnes for the past four fishing seasons. The latest scientific information does indicate some growth in the spawner stock biomass.

The 4RS3Pn stock levels were well below the historical average in 2003. The fishery for this stock was placed under moratorium in April 2003 for one year, as science indicated that the stock may be further declining. The fishery reopened in 2004 with a 3,500 tonne TAC. Inshore catch rates are at a high level, but some stock indicators continue to be below historic values.

Unit 2 Redfish

The range of this stock covers the South coast of Newfoundland and parts of the Laurentian Channel. Newfoundland and Labrador harvests between 35 to 40 percent of the redfish quota. The stock remains relatively stable but there is little sign of recruitment. The quota was reduced to 8,000 tonnes in 2001 and has remained at this level for the past three years.

NAFO-Managed Stocks
2+3LMNO Turbot

The turbot stock increased during the late 1990s and now is considered to be in decline. The TAC was reduced from 44,000 tonnes in 2002 to 42,000 tonnes in 2003. The TAC was set at 20,000 tonnes in 2004, in response to a dramatic decline in the stock and the establishment of a four-year rebuilding plan. Canada is allocated 36 percent of the TAC.

3LNO Yellowtail

This stock has experienced growth in the past number of years. The TAC was 13,000 tonnes in 2001 and 2002 and was increased to 14,500 tonnes for 2003 and 2004. The 2005 TAC has been set at 15,000 tonnes as the stock continues to grow.

Other Groundfish

All other NAFO-managed straddling groundfish stocks remain under moratoria. These stocks are not showing signs of recovery and include: 3NO cod, 3NO witch flounder, 3LNO American plaice and 3LN redfish.

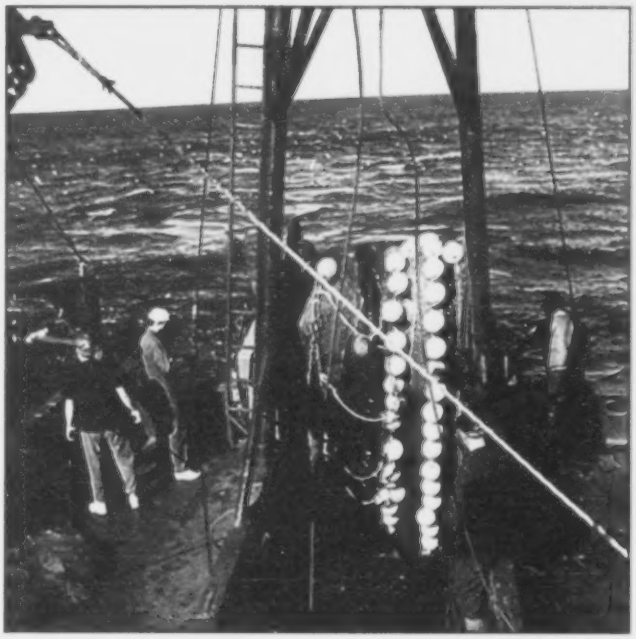


Photo by Brian Johnson

Outlook for 2005

Fisheries Outlook

The industry is expected to face a challenging market and resource situation in 2005. Exchange rate pressures are expected to continue to negatively impact market returns while the potential for lower quotas in some key stocks could further temper overall growth. Landings for groundfish are expected to approximate 2004 levels. Pelagic landings should remain high but will be dependent on market conditions and resource availability. Shellfish landings could decline slightly due to anticipated lower snow crab landings.

Prices for groundfish products are expected to remain at stable but low levels. Higher exchange rates, however, will continue to hamper profitability in this sector. As well, plants that rely on imported product will likely find it difficult to access a consistent supply of raw material at prices conducive to profitability.

Turbot landings are expected to continue to decline in response to lower quotas. Cod landings are expected to remain at last year's levels, however a higher quota is expected in 4RS3Pn in 2005. Other groundfish landings should remain at 2004 levels.

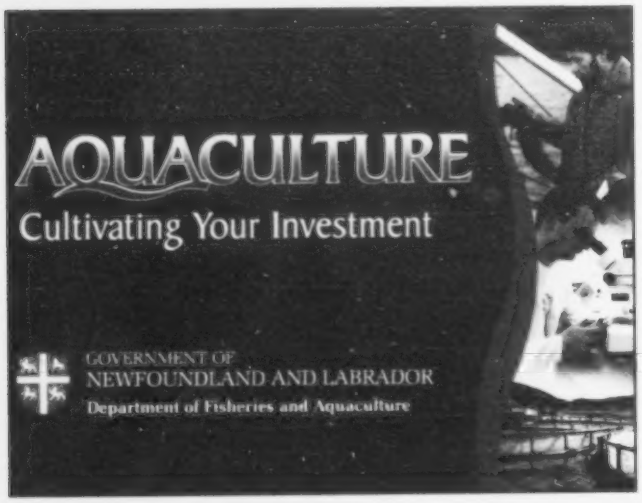
Pelagic landings are expected to remain at least at 2004 levels. Landings of pelagic species tend to be driven by a combination of market forces and resource availability. Landings have been consistently below established TAC levels and as such, improving markets could entice higher landings.

Shrimp landings are expected to remain near record levels for 2005. Catch rates have been favorable and a stable market should result in the TAC being landed. Snow crab landings are expected to decline in some areas in response to an anticipated TAC reduction. Exchange rate pressures could continue to result in lower landed prices to harvesters and lower returns for processors.

The Province will have its new processing policy framework in operation in 2005. The Fish Processing Board has been newly established and processors will now apply to the Board for any changes in licences. As well, changes to the Quality Assurance Program should continue to generate favourable results for the industry.

Aquaculture Outlook

The Aquaculture Branch will build on the success of the Department's Investment Prospecting Program in 2005. Coupled with the Aquaculture Working Capital Loan Guarantee Initiative, the Province has created a positive environment for investing in the Newfoundland and Labrador aquaculture industry.



This was achieved by identifying an abundance of potential sites, ensuring environmental sustainability and being proactive in development.

Another aspect of the investment prospecting work in 2005 will be the completion of an initiative to identify freshwater resources for rearing juvenile salmonids. Land-based juvenile fish and smolt production facilities are a crucial infrastructure component required for industry development. The assessment will identify specific areas and their suitability for hatchery development, to aid the private sector in evaluating this opportunity.

In 2005, the industry will expand to six companies operating in salmonid production. Increased domestic and foreign investment interest is expected this coming year. Companies in provinces such as New Brunswick and British Columbia, which have limited opportunity to expand their operations, are attracted to this Province's large areas of available water and low disease incidence. Fortune Bay is expected to be the primary region for salmonid aquaculture expansion in 2005.

It is anticipated that the salmonid industry will expand in 2005, as new investors begin operations and existing companies increase stocking levels. The primary region for salmonid aquaculture expansion will be Fortune Bay.

The development of the cod aquaculture sector will remain a focus in 2005. By working with the Newfoundland Aquaculture Industry Association, strategic planning for the further development of the cod aquaculture industry will be completed and implemented. The strategy will address the business case, research gaps, infrastructure requirements and financial support necessary for the further development of this sector.

In the mussel sector, the Department will focus on investment prospecting, expanding production, health monitoring and further market development.

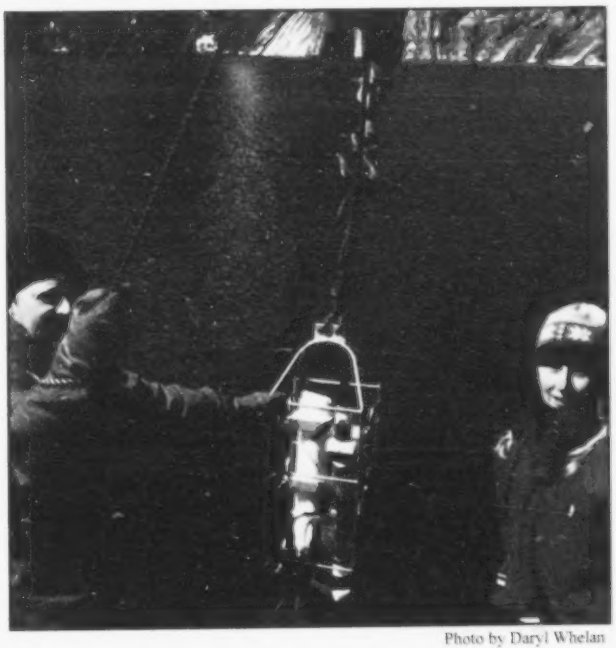


Photo by Daryl Whelan

Photo by Harry Welcher

Catch Our Website!

Department of Fisheries and Aquaculture Website

Please visit our site for detailed information on the Newfoundland and Labrador fishery.

URL: http://www.gov.nl.ca/fishaq/

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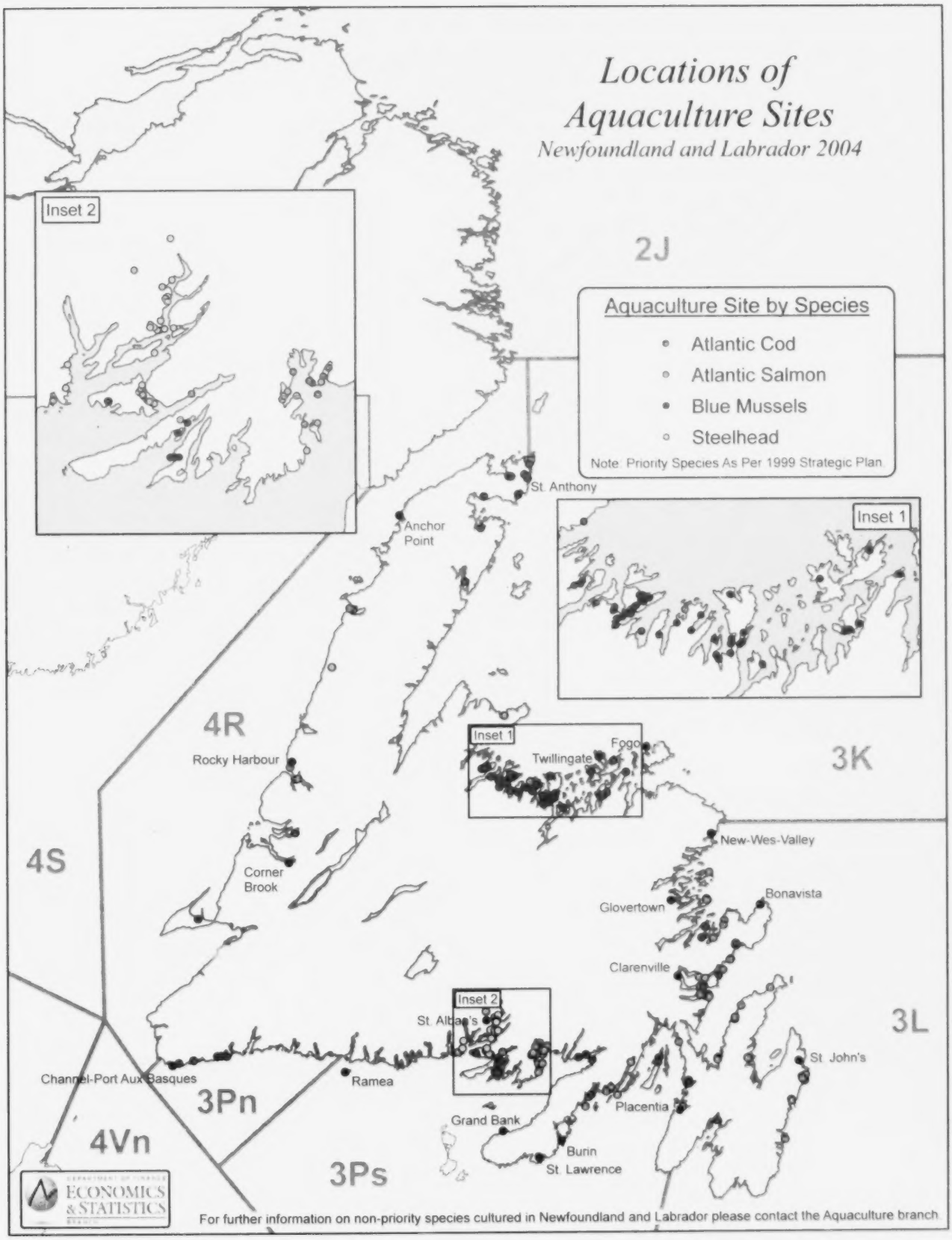
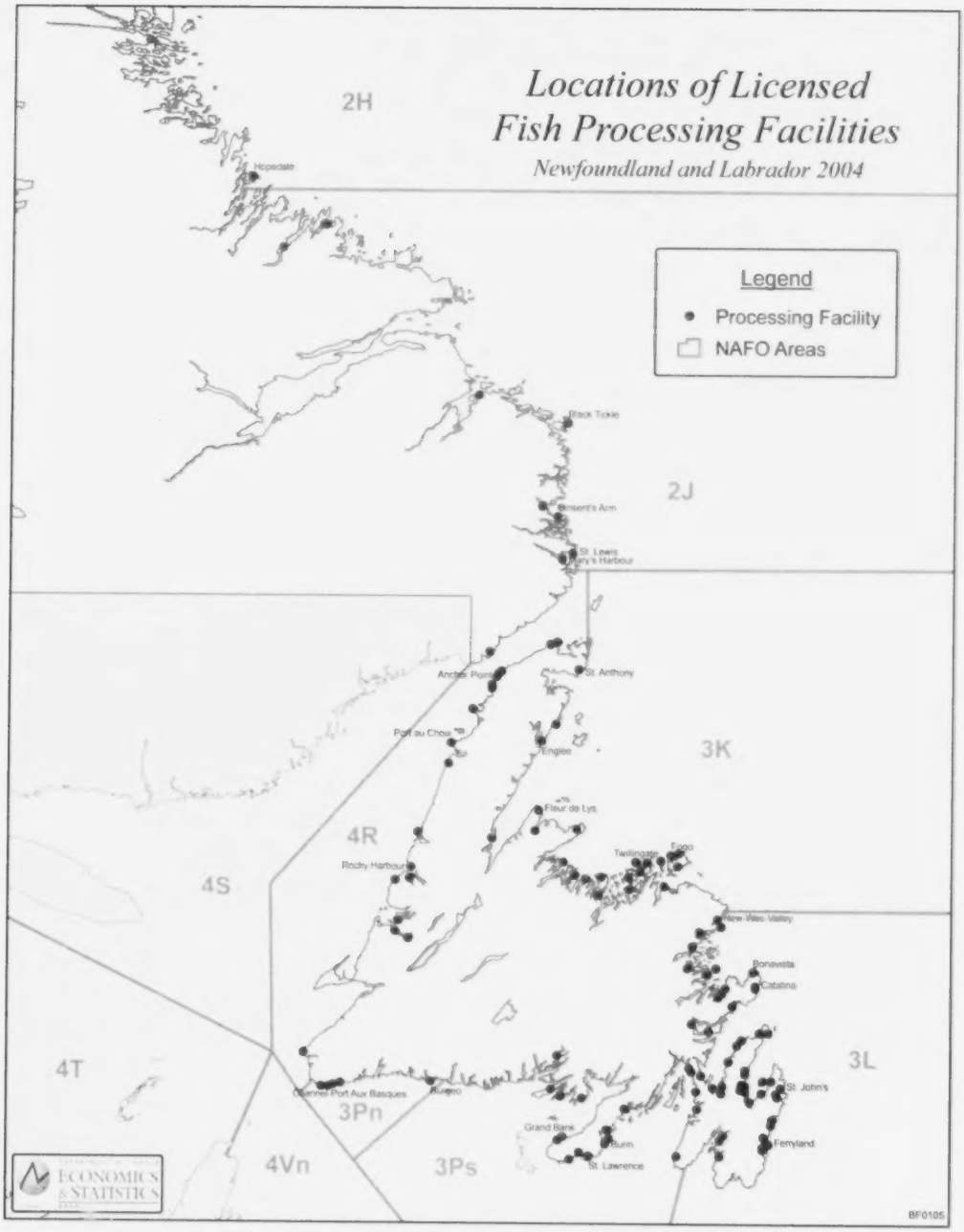

Locations of
Aquaculture Sites
Newfoundland and Labrador 2004
Inset 2
2J
Aquaculture Site by Species
Atlantic Cod
Atlantic Salmon
Blue Mussels
Steelhead
Note: Priority Species As Per 1999 Strategic Plan
St. Anthony
Anchor Point
Inset 1
4R
Rocky Harbour
Inset 1
Twillingate
Fogo
3K
New-Wes-Valley
4S
Corner Brook
Glovertown
Bonavista
Clarenville
Inset 2
St. Alban's
3L
St. John's
Channel-Port Aux Basques
Ramea
3Pn
Placentia
Grand Bank
4Vn
Burin
St. Lawrence
3Ps
ECONOMICS & STATISTICS
For further information on non-priority species cultured in Newfoundland and Labrador please contact the Aquaculture branch



Seafood Industry **2004** Year In Review

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